

Message Text

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AGRICULTURE:RHARPER
LABOR:WRENISON
COMMERCE:RRUZICKA
STR:JGREENWALD

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TAGS: ETRD, OECD

SUBJECT: OECD TRADE COMMITTEE WORKING PARTY ON S&D JUNE 7-
8

REF: OECD 15652

SUMMARY: THE WORKING PARTY WILL HAVE FOR ITS CONSIDERATION
REVISION OF EARLIER SECRETARIAT PAPERS ON DIFFERENTIAL
TREATMENT FOR LDCS IN NON-TARIFF AREAS (TC/WP(76)24(2ND
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REV.), TC/WP(77)7(1ST REV.) AND TC/WP(77)8(1ST REV.)) AND
ON GRADUATION (TC/WP(76)25(2ND REV.)), AND A NEW PAPER ON
GRADUATION CRITERIA (TC/WP(77)20). THERE MAY BE SOME
SUBSTANTIVE DISCUSSION, AND THE QUESTION OF WHAT--IF ANY-
THING--TO DO NOW WILL DEFINITELY BE RAISED. AN ANNOTATED
AGENDA (TC/WP(77)21) HAS BEEN PROVIDED BY THE SECRETARIAT
OUTLINING POSSIBLE COURSES OF ACTION. THE US REP SHOULD

RAISE THE QUESTIONS ON PROCEDURAL MATTERS IN PARA 12, AND
MAY WANT TO ENTER ANY SUBSTANTIVE DISCUSSION. END SUMMARY.

1. BACKGROUND ON DIFFERENTIAL TREATMENT: TC/WP(76)24
(2ND REV.) OUTLINES POSSIBLE OPTIONS IN THE AREA OF S&D
TREATMENT IN VARIOUS NON-TARIFF MEASURES. WE HAVE NO
IMPORTANT DIFFICULTIES WITH THE SUMMARY, ALTHOUGH THERE
SEEMS TO BE A LACK OF RECOGNITION THAT ANY MEASURE WHICH

IS SUSCEPTIBLE TO PHASING IN OVER TIME CAN ALSO BE
GRADUATED BY BENEFICIARY THROUGH THE SIMPLE METHOD OF
ALLOWING DIFFERENCES IN THE PHASE-IN PERIOD.

2. C/WP(77)7(1ST REV.) IS A THEORETICAL EXAMINATION OF
THE ECONOMIC IMPLICATIONS OF S&D. DISCUSSION OF ADMINIS-
TRATIVE MEASURES IS STRAIGHTFORWARD AND RAISES NO
PROBLEMS. WE ALSO AGREE WITH THE MAJOR CONCLUSIONS WITH
RESPECT TO MEASURES OF AN ECONOMIC CHARACTER, NAMELY
(1) THAT DIFFERENTIAL TREATMENT OF LDCS IN THE CONTEXT OF
DC RESTRICTIVE MEASURES PROVIDES ONLY MINIMAL AND TEMPO-
RARY RELIEF WHICH, MOREOVER, HAVE THE POTENTIAL FOR EN-
COURAGING INEFFICIENT PRODUCTION AND FOR TRADE DIVERSION,
BOTH OF WHICH MAY BE COUNTER-PRODUCTIVE FOR LDCS, AND
(2) THAT LESS THAN FULL COMPLIANCE WITH INTERNATIONAL
CODES ON THE PART OF LDCS REPRESENTS A DEPARTURE FROM THE
GENERALLY PREFERABLE NON-DISCRIMINATORY APPROACH.

3. NEVERTHELESS, IT IS APPARENT THAT EVEN THOUGH THE
MOST SIGNIFICANT NON-TARIFF BARRIERS TO TRADE ARE IN
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TRADITIONAL LDC EXPORTS, THE LDCS ARE HIGHLY UNLIKELY TO
CONSIDER AN EMPHASIS ON LIBERALIZATION TO BE REMOTELY CLOSE
TO THEIR CONCEPT OF D. SUCH A CONCEPT COULD, HOWEVER,
INVOLVE THE FOLLOWING ELEMENTS:

(A) DIFFERENTIAL APPLICATION OF DC MEASURES (E.G., QRS,
SAFEGUARDS) ON A CASE-BY-CASE BASIS, ACCOUNTING FOR DOMES-
TIC CONSIDERATIONS, TRADE DIVERSION AND THE POTENTIAL FOR
INCENTIVES FOR INEFFICIENT PRODUCTION;

(B) NON-DISCRIMINATORY CODES WHICH ARE DRAWN UP IN SUCH A
WAY THAT LDCS ARE MORE LIKELY TO BE IN A POSITION TO TAKE
ADVANTAGE OF CERTAIN PROVISION (E.G., IN THE AREAS OF
SUBSIDIES AND DUMPING);

(C) CODES WITH MEANINGFUL WAIVER PROVISION OR WHICH ALLOW
PARTIAL ACCEPTANCE OF OBLIGATIONS BY LDCS IN CAREFULLY
DEFINED AREAS (E.G., GOVERNMENT PROCUREMENT, QRS, SAFE-
GUARDS).

4. WE HAVE JUST RECEIVED TC/WP(77)8(1ST REV.)BUT HAVE NOT HAD TIME TO STUDY IT.

5. BACKGROUND ON GRADUATION: WE HAVE JUST RECEIVED TC/WP(76)25(2ND REV.) BUT HAVE NOT HAD TIME TO STUDY IT.

6. TC/WP(77)20 IS A NEW EFFORT ON "POSSIBLE CRITERIA FOR THE APPLICATION OF GRADUATED DIFFERENTIAL TREATMENT IN FAVOUR OF DEVELOPING COUNTRIES IN THE NON-TARIFF FIELD."

THE PAPER IS PRIMARILY TECHNICAL AND WE BELIEVE IT TO BE A GOOD ANALYSIS. HOWEVER, WE DO HAVE SOME THOUGHTS ON THE INTRODUCTORY COMMENTS WHICH GIVE STRUCTURAL (I.E., INFANT-INDUSTRY), POLICY DISTORTION AND GENERAL DEVELOPMENT RATIONALES AS POSSIBLE BASES TO APPROACH S&D--WHICH WOULD THEN HAVE AN IMPACT ON HOW TO APPROACH GRADUATION.
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7. THE USE OF S&D AS A GENERAL MEASURE TO PROMOTE ECONOMIC DEVELOPMENT IS UNACCEPTABLE FOR TWO REASONS. FIRST, IT ASSUMES FAR TOO MUCH RESPONSIBILITY FOR TRADE IN THE DEVELOPMENT PROCESS. TRADE IS ONE ASPECT OF DEVELOPMENT, AND S&D IN THE TRADE FIELD SHOULD ADDRESS THAT ASPECT ALONE. SECOND, SUCH AN APPROACH MAY EASILY DIVORCE S&D--AND GRADUATION--FROM RELEVANT TRADE CRITERIA, POSSIBLY ALLOWING CERTAIN S&D WHEN NO LONGER NECESSARY, AND GIVING RECIPIENTS AN UNFAIR ADVANTAGE IN WORLD MARKETS OR PROMOTING INEFFICIENT PRODUCTION.

8. THE POLICY DISTORTION RATIONALE IS ALSO UNACCEPTABLE. ONE REASON FOR THIS IS SIMPLY THE DOMESTIC UNSALEABILITY OF HELPING LDCS WHEN THEIR OWN POLICIES ARE TO BLAME. A SECOND IS THE PROBLEM OF LACK OF INCENTIVE TO CHANGE SUCH POLICIES WHICH WOULD BE REINFORCED BY DIFFERENTIAL TREATMENT. THIRD IS THAT, TO THE EXTENT THERE IS AN INCENTIVE TO CHANGE THOSE POLICIES, THE DCS ARE PUT IN THE POSITION OF REQUIRING CERTAIN CHANGES IN INTERNAL POLICIES OF LDCS--NOT A POPULAR POSITION--INSTEAD OF HAVING THIS COME ABOUT INDIRECTLY BY ENCOURAGING ECONOMIC DEVELOPMENT WHICH ALLOWS THEM TO BECOME COMPETITIVE.

9. BACKGROUND ON PROCEDURE: THE OECD SECRETARIAT HAS, AS A RESULT OF ENCOURAGEMENT FROM THE US, PRODUCED SEVERAL EXCELLENT PAPERS. NEVERTHELESS, MOST DELEGATIONS HAVE BEEN CONCERNED THAT THIS WORK HAS PROCEEDED AT A MORE RAPID PACE THAN IS WARRANTED BY MTN PROGRESS IN NON-TARIFF AREAS. THE ANNOTATED AGENDA OFFERS THREE OPTIONS: TERMINATION, POSTPONEMENT OR CONTINUATION OF THE WORK, WITH THREE

ALTERNATIVES FOR CONTINUATION INCLUDING FURTHER THEORETICAL DETAIL ON TOPICS ALREADY RAISED, EXAMINATION OF ADDITIONAL ASPECTS, AND MORE PRACTICAL EXAMINATION OF THE TOPICS TREATED ONLY THEORETICALLY SO FAR.

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10. US POSITION: WE CAN ACCEPT THE POSITION THAT THE SECRETARIAT HAS ACCOMPLISHED WHAT WE HAVE REQUESTED. WHILE WE FEEL THAT MORE USEFUL WORK COULD BE DONE ALONG ANY OF THE LINES SUGGESTED IN THE ANNEX TO THE ANNOTATED AGENDA, IT MAY BE WELL TO POSTPONE CONSIDERATION OF PRECISELY WHAT DIRECTION WOULD BE MOST ADVANTAGEOUS UNTIL THE NEXT MEETING OF THE TRADE COMMITTEE, BY WHICH TIME THE

MATTER CAN BE JUDGED IN LIGHT OF WHAT PROGRESS THERE HAS BEEN IN THE MTN. THE DIRECTION TAKEN BY THE OECD SHOULD PROBABLY BE ATTUNED TO THE REQUIREMENTS OF THE MEMBER COUNTRIES IN THEIR MTN ENDEAVORS.

11. THE TCWP SHOULD ADDRESS ITSELF, THEREFORE, TO THE ADEQUACY OF THE POSSIBLE ALTERNATIVE OPTIONS TO BE CONSIDERED BY THE TRADE COMMITTEE. THE US DEL SHOULD ENDEAVOR TO GET A CLEARER PICTURE OF JUST HOW THE SECRETARIAT ENVISAGES THE FORM OF THE FINAL PRODUCT OF EACH OF THE THREE POSSIBLE ALTERNATIVES FOR FUTURE WORK.

12. THE FOLLOWING QUESTIONS MAY BE PUT TO THE SECRETARIAT FOR STUDY SO THAT A CLEARER SET OF OPTIONS WOULD BE AVAILABLE FOR THE CONSIDERATION OF THE NEXT TRADE COMMITTEE MEETING:

A. IF THE EXERCISE WERE TO BE BROADENED TO INCLUDE THE OBJECTIVES OF DIFFERENTIAL TREATMENT, WOULD THIS BE DIRECTED AT MORE SPECIFIC PROBLEMS THAN THOSE ALREADY ADDRESSED IN A GENERAL FASHION (I.E., STRUCTURAL PROBLEMS, POLICY DISTORTIONS, GENERAL DEVELOPMENT)?

B. WHAT MIGHT AN EXAMINATION OF THE PLACE OF DIFFERENTIAL CONCESSIONS IN THE WORLD TRADING SYSTEM INVOLVE? DOES THE SECRETARIAT ENVISION ALTERNATE FORMULATIONS OF A MODIFIED GATT ARTICLE I? THE RELATION OF CODES TO THE GENERAL AGREEMENT?

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C. WHAT KINDS OF QUESTIONS MIGHT BE ADDRESSED UNDER THE TOPICS OF BURDEN SHARING AND "TRADE PRACTICES OF LDCS IN THEIR MUTUAL RELATIONS"?

D. DOES THE SECRETARIAT ENVISION ANY PARTICULAR FORM OF COMMUNICATION WITH MTN DELEGATIONS IN THE EVENT OF VERTICAL EXAMINATIONS OF SPECIFIC DIFFERENTIAL MEASURES? WOULD SUCH EXAMINATION CONTINUE TO BE ON THE BASIS OF PRESENTATION OF ALTERNATIVES, RATHER THAN ANY ATTEMPT TO SUGGEST PREFERRED POSITIONS?

13. AS SOME OF THESE PAPERS HAVE JUST BEEN RECEIVED IN WASHINGTON, WE ARE NOT IN POSITION TO COMMENT ON THEIR SUBSTANCE OR ON THE CONCLUSIONS OF THE STUDIES AS A UNIT.
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